

OFFICE OF LIEUTENANT GOVERNOR STATE OF WASHINGTON (360) 786-7700 (360) 786-7749 Fax

SPECIAL COMMITTEE MEETING OCTOBER 6TH

Please mark your calendars for a special Legislative Committee on Economic Development & International Relations meeting.

Date: October 6, 2004

Time: 11 AM - 12:30 PM

Location: Senate Hearing Room 1

John A. Cherberg Building

Olympia, WA

Topic: Officials from Snohomish County and the City of

Marysville will present the pubic/private proposal being submitted to Great Western Sports and ISC officials to site a motor sports entertainment

facility in Snohomish County.

For more information please contact Antonio Sanchez 360-786-7786 or by email sanchez an@leq.wa.gov.

9/10/2004 Confidential 1

Marysville/Snohomish County



Legislative Committee on Economic Development & International Relations Briefing Panel

- Executive Aaron Reardon, Snohomish County
- Mayor Dennis Kendall, Marysville
- Paul Roberts, Snohomish County Executive Director
- Mary Swenson, Marysville Chief Administrative Officer
- Lee Combs, President, Great Western Sports/Senior Vice President, International Speedway Corporation

Introductory Statement

- Executive Aaron Reardon
- Mayor Dennis Kendall
- Lee Combs

The Team





GREAT WESTERN SPORTS, Inc.



Checkered Flag Task Force Report (Berk & Associates estimates)

- Major new statewide economic development for Washington
- Up to \$121 million annual economic benefits statewide
- 1,325 to 1,846 direct and indirect jobs
- \$65 to \$98 million new money for the state annually
- \$6.2 to \$8.5 million in state and local tax revenues
- Construction benefits \$268 million with 3,000 jobs over two years

The Preferred Site

- Approximately 850 acres in county and city
- Facility
 - ✓ Approximately 75,000 seating capacity
 - ✓ 7/8ths mile high-banked paved track
 - ✓ Proposed major racing schedule 3 weekends
- As much as 300-500 acres of permanent open space
 - ✓ Ballfields, trails, picnic areas
- Stream restoration, wetlands enhancement and groundwater management

Conceptual Site Plan



Regional Infrastructure

- Regional utilities/road improvements needed now in this area
- Will relieve congestion year round
- Will assist additional economic development
- Major race event noise is less than reported and will only occur a few weekends a year



Motorsports Entertainment and Family Recreation Facility



































CRAFTSMAN

Goodu's



















The Site





Public/Private Partnership Structure

Public/Private Parties

Public	Private
Special purpose public entity (PDA or PFD)	Great Western Sports, Inc., a subsidiary of International Speedway Corporation

Public/Private Financing

Public

State funding source reflecting economic value of project dedicated to debt service on \$200 - \$250 million (estimate) in bonds - only new money generated by the project will be used to help pay for it

Private

Up to \$50 million toward project capital costs plus responsibility for any construction cost overruns

Public/Private Ownership

Public	Private
Ownership of some or all of site	Long-term lessee, possible owner of some or all of site. GWS will design and build project

Public/Private Other Contributions

Public	Private
Off-site regional infrastructure/road improvements	Provide public benefits including use of a portion of the site for public recreation when not needed for GWS use

Immediate Next Steps

- Enter into Letter of Intent among County, City, Great Western Sports
- Update Berk & Associates economic impact report
 - ✓ Site specific
 - ✓ Possible ancillary development
- Identify off-site regional utilities and road improvements needed and funding mechanisms
- Engage State Legislature in process to define public/private partnership and authorize financing plan and funding for public investment

2005 Legislation

- Identify revenue sources and funding plan
- Establish special purpose public entity
- Land use permitting provisions
- Define procurement approach, prevailing wage

Timeline

	2005	2006	2007	2008	2009
Legislation	—				
Permitting	_				
Construction					
Inaugural race					P

Essential Contingencies

- Enactment of state legislation during 2005 session
- Site assembly and land use permitting
- Timely completion of off-site public improvements

Closing Statement

• Lee Combs, President, Great Western Sports



Motorsports Entertainment and Family Recreation Facility

Legislative Committee on Economic Development & International R elations

I jeutenant Governor Brad Owen - Chair

SENATE HEARING ROOM 1, CHERBERG BLDG., OLYMPIA

MEETING AGENDA

OCTOBER 6, 2004

	TOPIC: A Review of the Public/Private Proposal that Snohomish County and the City of Marysville are Making to the International Speedway Corporation (ISC) for the Siting and Construction of a Motorsport Facility.				
11:00 a.m.	The Honorable Lieutenant Governor Brad Owen - Welcoming Statement				
	Snohomish County and City of Marysville Overview Discussion Panel The Public / Private Proposal of Snohomish County and the City of Marysville to the International Speedway Corporation (ISC) for the Siting and Construction of a Motorsport Facility.				
11:10 a.m.	 The Honorable Aaron Reardon, Snohomish County Executive The Honorable Dennis Kendall, Mayor of Marysville Lee Combs, Senior Vice President of Corporate Development for the International Speedway Corporation (ISC) Paul Roberts - Executive Director, Snohomish Country 				
	Mary Swenson - Chief Administrative Officer, City of Marysville				
12:00 p.m.	Questions				
12:30 p.m.	Meeting Adjourned				
12:40 p.m.	Press availability for presenters and legislators (same room)				

Committee Members

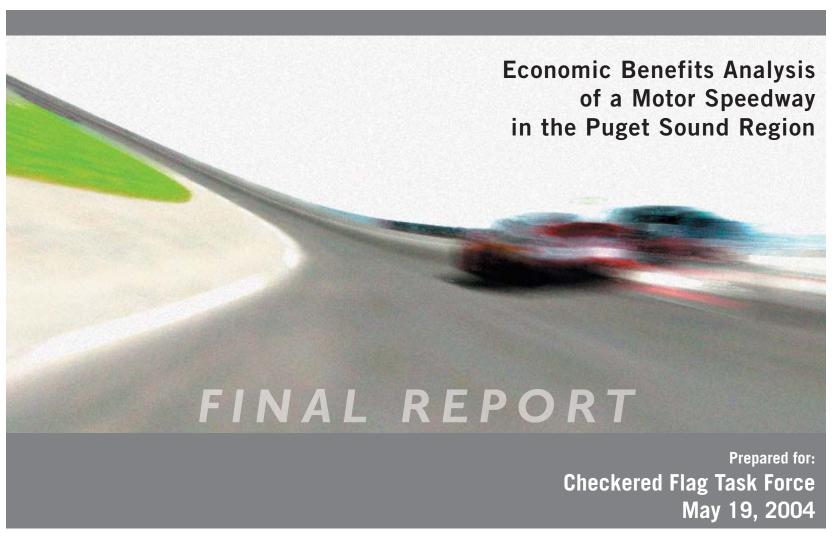
SENATORS

ROSA FRANKLIN, CHERYL PFLUG, MIKE HEWITT, LARRY SHEAHAN, BETTI SHELDON, PAULL SHIN

REPRESENTATIVES

ROGER BUSH, WILLIAM EICKMEYER, BRUCE CHANDLER, PHYLLIS KENNEY, DAN ROACH, VELMA VELORIA

(PUBLIC TESTIMONY WILL NOT BE TAKEN DURING THIS MEETING BUT WILL BE SCHEDULED FOR A FUTURE MEETING IN SNOHOMISH COUNTY TO BE ANNOUNCED)





Checkered Flag Task Force

Gigi Burke, Crown Distributing

Michael Cade, Thurston County Economic Development Council

Richard Chapman, Economic Development Council of Seattle & King County

Brian Fluetsch, Sunset Air, Inc.

Michael Gould, Haselwood Auto Group

Deborah Knutson, Snohomish County Economic Development Council

Kathy Lombardo, CH2M HILL David Madeira, LeMay Museum

Mark McClure, Wells Fargo

Peter McMillin, State of Washington Department of Community, Trade, and

Economic Development

David Porter, Kitsap Regional Economic Development Council **Ruthie Reinert**, Tacoma Regional Convention & Visitors Bureau **Susan Suess**, Tacoma-Pierce County Economic Development Board **Glenn Vincent**, Shipwreck Beads

Sandy Ward, Snohomish County Tourism Bureau **Tayloe Washburn**, Foster Pepper & Shefelman

Prepared for the Checkered Flag Task Force

BERK & ASSOCIATES

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"Helping Communities and Organizations Create Their Best Futures"

Principals: Bonnie Berk and Michael Hodgins

Project Manager: Michael Hodgins

Additional Analysts: Brett Sheckler, Matt Stevenson, Chris Mefford

Report Production: Matt Stevenson

The purpose of this report is to inform the public and decision makers about the potential economic and fiscal benefits of a motor speedway to be located in the central Puget Sound. The analysis considers the potential impact of a new 75,000 seat speedway that would play host to two major racing weekends and one regional event per year.

Exhibit A summarizes key findings regarding potential economic impacts. The analysis considered the impacts from regional and State perspectives. The key difference between these perspectives is that State benefits are derived primarily from out-of-state visitors, while regional benefits include spending by in-state, but out-of-region visitors.

Total Economic Benefits. The total economic benefits are estimated to range from \$87.3 million to \$121.8 million from the regional perspective and from \$65.8 million to \$98.4 million from the State perspective.

Jobs and Wages. That level of economic activity is estimated to support 1,325 to 1,846 new jobs and \$38.3 million to \$52.4 million in additional income if impacts are viewed from the regional perspective and 1,061 to 1,585 new jobs and \$28.7 million to \$41.5 million in income if viewed from the state perspective.

Tax Benefits. In addition to the economic benefits shown in Exhibit A, annual economic activity from the Speedway is estimated to generate between \$2.5 and \$4.0 million in annual revenue to the State of Washington and between \$3.7 and \$4.5 million spread among multiple local jurisdictions.

Exhibit A: Summary of Economic Benefits of a Motor Speedway in the Puget Sound Region

	Regional F	Perspective	State Pe	rspective
	Lower Impact	Higher Impact	Lower Impact	Higher Impact
	Scenario	Scenario	Scenario	Scenario
Total economic activity				
Direct	\$51.3 Million	\$71.7 Million	\$36.9 Million	\$55.5 Million
Indirect and induced	\$36.0 Million	\$50.1 Million	\$28.8 Million	\$43.0 Million
Total Output	\$87.3 Million	\$121.8 Million	\$65.8 Million	\$98.4 Million
Labor Earnings				
Direct	\$24.9 Million	\$34.0 Million	\$18.5 Million	\$26.5 Million
Indirect and induced	\$13.4 Million	\$18.3 Million	\$10.3 Million	\$15.0 Million
Total Labor Earnings	\$38.3 Million	\$52.4 Million	\$28.7 Million	\$41.5 Million
Employment				
Direct	972	1,358	759	1,138
Indirect and induced	353	488	303	447
Total Employment	1,325	1,846	1,061	1,585

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Technical Appendix

International Speedway Corporation (ISC) is considering the possibility of developing a major speedway in the central Puget Sound region. ISC is the largest owner/operator of motor speedways in the U.S., with 12 facilities either owned wholly or through joint venture, including the Daytona International Speedway, in Daytona Beach, Florida.

The Economic Development Council of Seattle and King County has assumed the role of regional facilitator and coordinator of some of the activities to support ISC's site evaluation process. In its role as facilitator, the EDC of Seattle and King County formed the Checkered Flag Task Force, to assess the opportunities presented by ISC's interest in the Puget Sound.

The Task Force engaged Berk & Associates to analyze the potential economic benefits of a motor speedway in the region. This report documents the results of a rigorous and comprehesive analytic process. The purpose of the analysis is to:

- Provide the public and decision makers with an objective assessment of potential economic benefits; and,
- 2. Provide the necessary information base to support discussions regarding potential public-private partnership opportunities to enhance the development feasibility of the project.

Since a site has yet to be selected, and potential costs could vary significantly depending on the characteristics of the selected site, the analysis does not consider potential cost impacts.



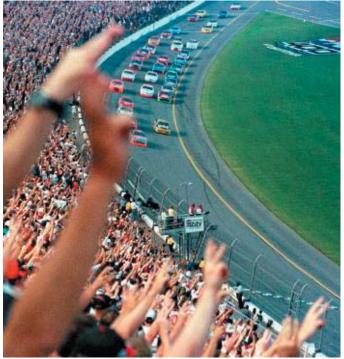


Exhibit 1: Key Speedway Characteristics

Grandstand seats	75,000
Luxury suites	68
Site requirements	500-700 acres
Estimated construction cost	\$140 Million
Major race weekends	2
Regional race weekends	1

Exhibit 2: 2004 Kansas Speedway Race Schedule

Race	Series	Date
Kansas Lottery 400	ARCA RE/MAX	June 5, 2004
O'reilly 250	NASCAR Craftsman Truck Series	July 3, 2004
Aventis Racing for Kids 100	Menards Infiniti Pro Series	July 4, 2004
Argent Mortgage Indy 300	Indy Racing League IndyCar Series	July 4, 2004
Mr. Goodcents 300	NASCAR Busch Series	October 9, 2004
Banquet 400	NASCAR Nextel Cup Series	October 10, 2004

A central Puget Sound motor speedway is expected to be similar in capacity to the Kansas Speedway, located in Kansas City, Kansas, and ISC's newest facility. Since regional site evaluation is ongoing, the analysis is based on an assumption that the ultimate location will be somewhere within a one-hour's drive from downtown Seattle.

Exhibit 1 presents the key speedway characteristics assumed for the analysis of economic benefits. The grandstand seating is assumed to be 75,000 seats plus 68 luxury suites, with an additional capacity for 2,040. The speedway would occupy a minimum of 500-700 acres, and depending on ancillary development potential of the preferred site, could reach 1,000 acres.

Given the limited racing season in the Northwest, this analysis assumes three racing weekends, two major event weekends and one regional-scale event weekend. Exhibit 2 presents the 2004 Kansas Speedway race schedule, which follows this race pattern.

A major weekend is assumed to consist of three days of motorsports activities, including but not limited to a major stock car or open wheel race on Sunday, a support race on Saturday, and practice and qualifying on Friday. The two major racing weekends are expected to sell our as a season ticket package.

The regional event is assumed to be a more junior racing series. This event is assumed to be marketed separately, and to sell 40% of available seats at a lower per ticket price than the major weekend.

CHECKERED FLAG TASK FORCE

APPROACH

The positive economic benefits associated with the speedway will result increases in net local spending. The flow chart in Exhibit 3 shows how the primary sources of race weekend spending flow through the local economy and generate a net increase in economic activity.

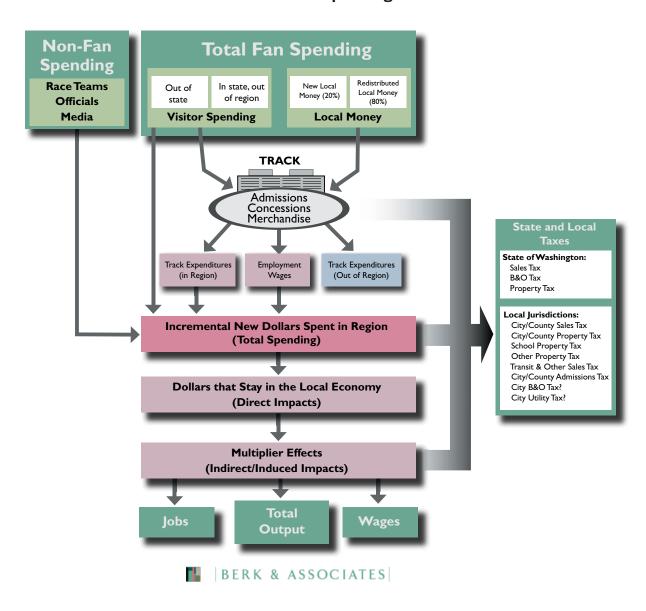
Fan spending is composed of spending by visitors to the area and by area residents, since both of these groups will spend money at the speedway. Some of the spending at the track will work its way into the local economy through expenditures for track operations, in particular, wages for local employees and purchases of local goods and services.

In addition, the visitor groups will spend money in the region (off-site) for accommodations, food, entertainment, and shopping. Non-fan spending will come from off-site spending by the race teams, race officials and the media.

The flow of money from fan and non-fan visitor spending and the portion of track spending that enters the local economy make up total incremental new money coming into the local economy. Most of this spending is classified as direct economic impacts, as it will generate new local demand for labor, goods and services.

However, some of the incremental spending (in particular retail spending) will generate demand for goods imported into the region. This type of retail spending will have a much smaller impact locally.

Exhibit 3: Race Weekend Spending Flows







As a result, not every dollar spent in the region actually has an impact in the region.

The money from spending that flows into the local economy will be respent, producing indirect and induced economic impacts. Indirect impacts result from the respending of the direct expenses through the supply chain. Induced impacts are those resulting from the spending of employee earnings.

Indirect and induced impacts are cumulatively referred to as multiplier effects. Together with direct impacts they describe the total impact on the local economy.

The analysis considers the tax implications to the State of Washington and to local jurisdictions. Since a site has yet to be selected, the local tax impacts are based on representative, "typical" tax rates from around the region, rather than those of any one jurisdiction. Estimates of the tax revenue impacts of the new activity take into consideration the direct, indirect, and induced impacts.

The analysis of benefits is conducted using constant 2004 dollars. As such, the impacts are estimated as though the facility were in place today.

To properly estimate economic impacts and interpret their findings, two important concepts must be fully understood:

1. Level of Geography is Critically Important. Depending on one's perspective, the definition of what constitutes new money will change. From the State perspective, an individual traveling from Spokane to a race will primarily represent redistributed activity within the state. However, if that individual is spending money in Seattle rather than Spokane, then from a central Puget Sound regional perspective it is new money, just as much as spending by visitors from Oregon, California or Florida constitutes new money.

Simply shrinking the study area to increase the number of imported dollars ignores the other critical element of geography. The local economy must be large enough to capture the new spending. Defining the study area too narrowly can result in significant overstatement of the local benefits, since much of the new spending is likely to occur in neighboring areas.

Because of these factors, the analysis is conducted from both State and a Regional perspectives.

2. Only Net New Money in the System Counts. Only net new spending in the economy will increase demand for goods or services, and local spending that is diverted away from the region must be accounted for. If a local race fan spent money on tickets and souvenirs that otherwise would have gone to local food and entertainment, some of those dollars will likely leave the region. Thus, only until this loss is offset by visitor spending is a net gain achieved.

Since all economic benefits derive from new spending in the region flowing into the local economy, three primary drivers determine the magnitude of the local economic impacts associated with a motor speedway:

- 1. The attendance profile for race events, in particular the number of visitors to the region;
- 2. The average spending per visitor in the region, which is related to length of stay, and choices about accommodations and non-race activities; and
- 3. The degree to which spending at the track flows through to the local economy.

Given the uncertainty of these variables, two scenarios are constructed: a "higher impact" scenario based on experience elsewhere translating to the Northwest; and a "lower impact" scenario that takes a more conservative approach to the potential for out-of-state visitor attendance and average visitor spending.



Exhibit 4: Primary Market Area for Puget Sound Track

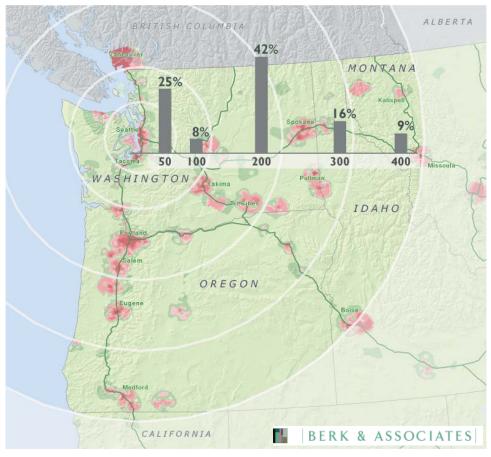


Exhibit 5: Market Area Comparisons

	Population at Distances from NASCAR Track				
	50 Miles	100 Miles	200 Miles	300 Miles	400 Miles
Washington	3,536,410	4,682,875	10,493,782	12,675,470	13,872,284
Arizona	3,166,502	3,493,207	5,171,800	11,623,732	27,383,552
Kansas	2,147,100	2,753,953	7,763,843	17,202,428	27,815,832
California	12,052,600	18,655,046	22,493,046	24,613,190	38,448,522

The most important variables in the overall economic impact are related to the number of visitors and the average spending per visitor. Therefore, the estimate of where people are likely to come from to attend races in the Northwest is a critical basis for the analysis.

Exhibit 4 presents the population concentrations within the primary market area around a potential central Puget Sound speedway (400 miles). Exhibit 5 compares these population concentrations with those of other tracks in the "west," and shows how different the Puget Sound area is in relation to these other comparable facilities. In particular, if one ignores the California Speedway:

- The Puget Sound area has the largest population base within the first 50, 100 and 200 miles.
- At 200 miles, the Puget Sound population base is twice that of Arizona and approximately 50% greater than Kansas.
- At 400 miles, however, the Puget Sound market is less than half as large as any of the other tracks.

To derive an attendance profile that would be consistent with both the population distribution characteristics in the region and the travel habits of race fans, a three step process was used.

Step 1: Analyze Population within Puget Sound Market Area. Population was analyzed in relation to distance from a potential speedway. The center of the rings was set in downtown Seattle, since a specific site has not been selected. Using spatial analysis of Census data for

both the U.S. and Canada, population estimates were developed for each 100 mile band starting in Seattle and continuing to 1,000 miles away.

Step 2: Spatial Analysis of Current Comparable Major Motorsports Ticket Sales. Ticket sales data for a number of comparable facilities illustrated the number of tickets sold to people living within each 100 mile increment around those speedways. The data was used to estimate an average "decay curve" relating the probability of ticket sales within certain distances from the speedway.

This information confirmed the broad geographic interest in racing. As expected, the market penetration declines as one gets further from the race site; however, there are a meaningful number of tickets sold to people beyond the primary market area (defined as a radius of 400 miles) up to 1,000 miles and beyond.

Step 3: Apply Decay Curve to Puget Sound Speedway Market. To derive an attendance profile, a decay curve was then applied to the population concentrations for the central Puget Sound speedway market area.

Exhibit 6 presents the results of this attendance analysis. Two scenarios were derived: a higher impact scenario with higher out-of-state estimates and a lower impact scenario with a more balanced distribution of regional fans and out-of-state fans. The fans from the outside the region but within Washington were assumed to be constant for each scenario.

The regional weekend event is expected to draw a smaller crowd and be more focused on regional fans.

Exhibit 6: Attendance Scenarios

	Lower Impact	Higher Impact
	Scenario	Scenario
Breakdown for major weekends		
Regional fans	61,632	38,520
In-state fans	23,112	23,112
Out-of-state fans	69,336	92,448
Major weekend attendance	154,080	154,080
Breakdown regional weekend		
Regional fans	18,490	15,408
In-state fans	9,245	9,245
Out-of-state fans	3,082	6,163
Regional weekend attendance	30,816	30,816
Total race attendance breakdown		
Regional fans	80,122	53,928
In-state fans	32,357	32,357
Out-of-state fans	72,418	98,611
Total race event attendance	184,896	184,896
Visitors from regional perspective	104,774	130,968
Visitors from state perspective	72,418	98,611

Total attendance in both the lower and higher impact scenarios is assumed to be almost 185,000 for the three weekends. From the regional perspective, in-state and out-of-state fans both count as visitors, resulting in a range of 105,000 to 131,000 visitors. However, from the State perspective, the number of visitors is estimated to be substantially less: between 73,000 and 99,000.

For the purposes of this analysis, a visitor and a visit are used interchangeably. Since the two major weekends will be sold as a package, in many cases the same person will be making two trips. Each trip is a visit and that person would be counted as two visitors.

Exhibit 7: Estimated Race Weekend Spending

	Lower Impact	Higher Impact
	Scenario	Scenario
Off-track spending in region		
Out-of-state visitors	\$34.1 Million	\$53.2 Million
In-state visitors	\$14.2 Million	\$16.3 Million
Race teams, officials and media	\$6.1 Million	\$6.1 Million
Subtotal for off-track	\$54.3 Million	\$75.6 Million
Spending at the track		
Out-of-state visitors	\$12.4 Million	\$16.6 Million
In-state visitors	\$4.5 Million	\$4.5 Million
Puget Sound residents	\$11.6 Million	\$7.4 Million
Subtotal for track	\$28.4 Million	\$28.4 Million
Total event-related spending	\$82.7 Million	\$104.0 Million

Exhibit 8: Local Spending for Track Operations

Grandstand seats	75,000
Luxury suites	68
Site requirements	500-700 acres
Estimated construction cost	\$140 Million

As presented in Exhibit 7, total race weekend-related spending is estimated to range from \$82.7 million to \$104 million. This spending is estimated to be composed of \$28.4 million of spending at the track (on-site) and between \$54.3 million and \$75.6 million elsewhere in the region (off-site). All of the difference in spending can be attributed to variation in out-of-state visitors and the variation in average spending per visitor. The spending estimates were divided according to the attendance profile classifications.

Off-site visitor spending represents estimated expenditures for lodging, dining, retail purchases, entertainment, and other miscellaneous expenses. Estimates of expenditures for each category are based on a survey of Phoenix International Raceway visitors, as presented in the 2001 Phoenix International Raceway Inc. Economic Impact Analysis, performed by The Center for Business Research L. William Seidman Research Institute at Arizona State University.

Off-site expenditures from racing teams, media, and sanctioning body officials is based on an estimate of 3,000 persons per major event weekend and a longer average length of stay.

The local expenditures by the speedway for track operations are estimated to be \$10.3 million. Since \$28.4 million is assumed to be spent at the track, the majority of the difference is expected to go toward non-local expenditures.

Exhibit 9 shows how much of total spending during the three race weekends and from track operations is estimated to remain in the local economy as direct, indirect and induced impacts.

Regional Perspective. From the regional point-of-view, most of the off-site spending is estimated to remain in the local economy. The only leakage expected is due to the portion of retail spending that supports producers outside the state. As a result, direct impacts from off-site spending are estimated to range from \$46.6 million to \$64.9 million.

Of the \$28.4 million spent at the track, direct impacts from track operations are estimated to range from \$4.7 million to \$6.7 million. Two issues reduce the economic value of the \$28.4 million from a regional perspective: 1) the margin between local track expenditures and total spending at the track, which is assumed to leave the state;

and 2) the other offset is based on the portion of local fan spending at the track that otherwise would have been spent in the region.

Total direct impacts are estimated to range from \$51.3 million to \$71.7 million. These direct impacts are estimated to generate indirect and induced impacts of between \$36 million and \$50.1 million, for a total economic impact of between \$87.3 million and \$121.8 million.

State Perspective. From the state perspective, the direct, indirect and induced impacts are substantially lower, ranging from \$36.9 million to \$55.5 million for direct impacts and from \$65.8 million to \$98.4 million for total economic impacts. Impacts are lower from the state perspective because in-state/out-of-region fans are not counted as visitors. As such, a significant portion of their spending is assumed to be redistributed money that would have otherwise been spent in the state.

Exhibit 9: Estimated Economic Impacts

	Regional F	Perspective	State Per	spective
	Lower Impact	Higher Impact	Lower Impact	Higher Impact
	Scenario	Scenario	Scenario	Scenario
Total off-site spending	\$54.3 Million	\$75.6 Million	\$54.3 Million	\$75.6 Million
Less portion that leaves the state	(\$7.7 Million)	(\$10.6 Million)	(\$7.7 Million)	(\$10.6 Million)
Less redistributed local money	\$0	\$0	(\$12.3 Million)	(\$14.1 Million)
Net direct impacts	\$46.6 Million	\$64.9 Million	\$34.3 Million	\$50.8 Million
Total spending at the track	\$28.4 Million	\$28.4 Million	\$28.4 Million	\$28.4 Million
Less track expenses that leave the state	(\$18.2 Million)	(\$18.2 Million)	(\$18.2 Million)	(\$18.2 Million)
Local spending from track operations	\$10.3 Million	\$10.3 Million	\$10.3 Million	\$10.3 Million
Less redistributed local money	(\$5.5 Million)	(\$3.5 Million)	(\$7.6 Million)	(\$5.6 Million)
Net direct impacts	\$4.7 Million	\$6.7 Million	\$2.6 Million	\$4.6 Million
Total direct impacts	\$51.3 Million	\$71.7 Million	\$36.9 Million	\$55.5 Million
Indirect and induced impacts	\$36.0 Million	\$50.1 Million	\$28.8 Million	\$43.0 Million
Total economic impacts	\$87.3 Million	\$121.8 Million	\$65.8 Million	\$98.4 Million

Exhibit 10: Economic Benefits from Preliminary Construction Cost Estimates

	State Level	Regional Level
Output	\$268 Million	\$256 Million
Direct	\$140 Million	\$140 Million
Indirect and induced	\$128 Million	\$116 Million
Employment (FTEs)	3,000	2,721
Direct	1,603	1,513
Indirect and induced	1,396	1,207
Income	\$121 Million	\$122 Million
Direct	\$73 Million	\$76 Million
Indirect and induced	\$48 Million	\$46 Million

There will also be a one-time economic benefit associated with the construction phase of the project. To the extent that the investment capital for the speedway is coming from outside the state, there will be a substantial inflow of new money. A speedway of this type and size has been preliminarily estimated to cost \$140. This level of construction spending is estimated to generate a total direct, indirect and induced impact of \$268 million. The total economic impact will support 3,000 jobs and \$121 million in labor earnings.

From the state perspective, the annual economic benefits from all race-related activities will support between \$29 million and \$42 million in labor income and 1,061 to 1,585 in new jobs. From the regional perspective, economic impacts will support between \$38 to \$52 million in labor income and 1,325 to 1,846 new jobs.

Exhibit 11: Annual Economic Benefits from Operations

	Regional F	Perspective	State Pe	spective		
	Lower Impact	Higher Impact	Lower Impact	Higher Impact		
	Scenario	Scenario	Scenario	Scenario		
Total economic activity						
Direct	\$51.3 Million	\$71.7 Million	\$36.9 Million	\$55.5 Million		
Indirect and induced	\$36.0 Million	\$50.1 Million	\$28.8 Million	\$43.0 Million		
Total Output	\$87.3 Million	\$121.8 Million	\$65.8 Million	\$98.4 Million		
Labor Earnings						
Direct	\$24.9 Million	\$34.0 Million	\$18.5 Million	\$26.5 Million		
Indirect and induced	\$13.4 Million	\$18.3 Million	\$10.3 Million	\$15.0 Million		
Total Labor Earnings	\$38.3 Million	\$52.4 Million	\$28.7 Million	\$41.5 Million		
Employment						
Direct	972	1,358	759	1,138		
Indirect and induced	353	488	303	447		
Total Employment	1,325	1,846	1,061	1,585		

Annual economic activity is estimated to generate between \$2.5 and \$4.0 million in annual revenue to the State of Washington, and between \$3.7 and \$4.5 million spread among multiple local jurisdictions. Some of the local taxes will benefit directly the local jurisdiction that is home to the speedway. Those taxes include property taxes, retail sales tax and admissions tax.

Off-site economic impacts, however, can be expected to generate tax benefits across a large portion of the region, based on where in the region there will be capacity to absorb the new spending.

Construction activity based on preliminary construction cost estimates is estimated to generate \$13.7 million, the majority of which would accrue to the State General Fund in the form of sales and B&O taxes. These revenues are one-time revenues earned during the construction period.

Exhibit 12: Estimated Taxes on Preliminary Construction Costs

Total taxes on construction	\$13.7 Million
Special district sales taxes	\$1.4 Million
City/County sales taxes	\$1.4 Million
State B&O taxes	\$1.8 Million
State sales taxes	\$9.1 Million

Exhibit 13: Estimated Taxes from Ongoing Operations

	Annual			10-Year Value		20-Year Value		
		(in 2	2004\$)	Net	Pre	esent Value	Net Pr	esent Value
State of Washington								
Sales taxes	\$1.4	-	\$2.2 Million	\$12.8	-	\$20.5 Million	\$23.9 -	\$38.1 Million
B&O taxes	\$0.7	-	\$1.3 Million	\$6.3	-	\$12.3 Million	\$11.7 -	\$22.9 Million
Levy (State schools)	\$0.4	-	\$0.4 Million	\$3.8	-	\$3.8 Million	\$7.0 -	\$7.0 Million
State Revenues	\$2.5	-	\$4.0 Million	\$22.9	-	\$36.5 Million	\$42.7	\$68.0 Million
Local Jurisdictions								
City/County sales taxes	\$0.4	-	\$0.5 Million	\$3.4	-	\$4.9 Million	\$6.4 -	\$9.1 Million
Special district sales taxes	\$0.4	-	\$0.5 Million	\$3.4	-	\$4.9 Million	\$6.4 -	\$9.1 Million
City/County property taxes	\$0.4	-	\$0.4 Million	\$3.9	-	\$3.9 Million	\$7.2 -	\$7.2 Million
Special district property taxes	\$1.0	-	\$1.0 Million	\$9.0	-	\$9.0 Million	\$16.8 -	\$16.8 Million
Lodging taxes	\$0.5	-	\$1.0 Million	\$5.0	-	\$9.4 Million	\$9.3 -	\$17.6 Million
Admissions taxes	\$1.0	-	\$1.0 Million	\$9.5	-	\$9.5 Million	\$17.8 -	\$17.8 Million
All Local Revenues	\$3.7	-	\$4.5 Million	\$34.3	-	\$41.7 Million	\$63.8 -	\$77.6 Million
GRAND TOTAL	\$6.2		\$8.5 Million	\$57.2		\$78.2 Million	\$106.5 -	\$145.6 Million

In addition to the specific race-weekend economic benefits identified and estimated in this report, a central Puget Sound speedway would provide a number of potential increased economic benefits not analyzed in this report, including:

- Other uses of the track as driving schools, car club rendezvous, and commercials;
- Additional race activities beyond those identified in this study;
- Significant regional exposure from sponsorships and television coverage during the major events;
- The potential for ancillary development around the speedway. While the proportion of redistributed state and regional spending would likely be quite high for ancillary development, the tax and economic benefits to the jurisdiction that is home to the speedway could be substantial;
- The additional exposure of the area to race fans beyond the Northwest, as well as heightening interest in the sport here, could improve the economic fortunes of the many smaller regional racing venues throughout the state; and
- Given the variety and number of attractions, visitors coming from out-of-state could extend their visits to include tourism opportunities elsewhere in the region and the state.



Introduction to Economic Analysis Technical Appendix

The economic benefits analysis is based on a logical framework that assess the value of new impacts to the region and state and the resulting benefits to the regional and state economies. The analysis takes into consideration the different perspectives of the region and state. Information available from International Speedway Corporation informed this analysis, along with key assumptions necessary to estimate the total benefits.

Key Underlying Assumptions

This analysis relies on a range of assumptions. Many of these assumptions are discussed in the methodological discussions to follow. There are, however, a few assumptions that affect all aspects of the analysis. These assumptions include:

- Track construction costs will amount to \$140 million. This is a preliminary estimate and among other things, is not yet informed by site requirements or constraints;
- The stadium will have a 75,000 seat capacity, plus 2,040 seats in luxury boxes;
- There will be two major event weekends per year and one smaller, regional event each year;
- The two major event weekends will be sold out through season tickets;
- The regional event will sell draw a crowd of slightly more than 30,000 visitors (40% of the stadium capacity).

Perspectives State and Regional

This economic impact analysis looks at impacts associated with the potential creation of an ISC race track from two different perspectives:

- 1. **The Washington State perspective**—identifying injections of new demand from outside the state, but not counting transfers of demand from one part of the state to another as new impacts.
- 2. **The regional perspective**—identifying injections of new demand to the region, coming both from outside the state and from other parts of the state.

At the time of this analysis, no decisions had yet been made about a track location. This analysis assumes that the track will be located somewhere in the Central Puget Sound region, within reasonably close proximity to Seattle. For purposes of regional modeling, the region is defined as King, Kitsap, Pierce, and Snohomish Counties.

Potential sites for the facility include areas on the periphery of the four-county region as well as in Thurston County. For modeling purposes, the goal of defining the region is to assess the general level of economic impacts that would be distributed across the region. The focus of these impacts would change depending on the final site, but the overall impacts should remain largely unchanged.

The analysis assesses the potential economic and fiscal impacts of three event weekends but does not assess other, ongoing activities that would take place at the speedway, including among other things, driving schools, car clubs, and filming of commercials.

The Distinction Between Expenditures and Economic Impacts

If the goal of an economic impact analysis is to get a realistic view of how a given action will affect a regional economy, then it is important to understand the mechanisms by which that effect will be felt in the region.

Input-output models are designed to identify impacts of newly introduced demand in a local economy. In other words, input-output models show economic impacts at the point of production, translating new demand into additional sales (and production) of local goods and services.

This focus on economic effects means that input/output models make a clear distinction between new expenditures in an area and new demand for local goods and services. In the economic terms, expenditures that take place only impact the local economy to the extent that those expenditures drive demand for some local economic component of production.

In terms of a retail purchase of a CD player at a big box store, for example, the direct economic effects of that purchase accrues to, perhaps, four different economic components: (1) a manufacturer in Asia; (2) a wholesaler in Arkansas; (3) a series of shipping firms based in Asia, Arkansas, and Louisiana; and (4) a retailer whose operational functions are spread out across the United States, with headquarters in Arkansas and a local outlet in the Central Puget Sound region. In this example, the only local economic effect of the purchase comes from the local portion of the retailer's operational functions—which generally include operation and maintenance of the store and some of the retailer's local warehouse and distribution functions.

A new dollar spent has a direct economic effect in a region to the extent that some portion of the production of the good or service purchased occurs in that same region. The difference between the dollar spent and the amount that accrues to local entities is referred to in input/output models as the margin.

This analysis includes two areas where margins come into play—where a difference exists between expenditures and economic effects. These two areas are (1) expenditures that take place at the proposed speedway and (2) retail expenditures.

In the case of the speedway, estimates of economic effects are based on estimates of expenditures or revenues that flow out of the speedway and accrue to local entities. These speedway expenditures or revenues include:

- Track expenditures for day-to-day operation;
- Local salaries paid by the speedway, both full-time and part-time;
- Wholesale purchases for concession sales at the track; and
- Local, regional, and state level tax revenues generated at the track

In the case of retail purchases, estimates of the portion of the sales that accrue to local entities are based on state and regional IMPLAN margins for retail sales of general merchandise.

Analysis of Economic Impacts

Estimates of direct and indirect economic effects are based on framework outlined in the main body of the report (see Exhibit 4 in the Final Report). Within this framework, direct economic effects stem from spending by three groups:

- 1. Non-resident visitors.
- 2. Race teams, media, and sanctioning body officials and personnel.
- 3. State or regional residents who attend speedway events.

The analysis assumes a portion of residents' expenditures would occur outside of the state or region (a result of leisure travel or other non-local spending) if residents had not attended speedway events.

Direct economic effects from these groups enter the regional economy through three categories of spending:

- 1. Spending by non-resident visitors on lodging, dining, entertainment, shopping, and other non-speedway related expenditures.
- 2. Local spending by race teams, media, and race officials and personnel.
- 3. Speedway spending on operations, salaries, and wholesale purchases.

Exhibit 1 summarizes estimated attendance profiles and modeled expenditure patterns. The table summarizes a range of modeled impacts bounded by a *high* and a *low* scenario for both the regional and state perspectives.

Both the regional and state perspectives assume the same distribution of fans from within the region, from outside the region but within Washington State, and from outside the state. The difference between the regional and state perspectives stems from different definitions of who is a resident and who is a visitor.

From the regional perspective, residents are limited to only those people who live within the region. Visitors include any fans who come from outside the region. From the state perspective, residents include all residents of the state; visitors include only fans who come from outside of Washington State. With a larger pool of fans defined as visitors, the regional perspective finds larger influxes of visitor spending.

Exhibit 1: Attendance Profiles and Expenditure Patterns

	Regional P	Regional Perspective		State Per	spective
	Low	High		Low	High
Major Event Weekends	154,080	154,080		154,080	154,080
Regional Event Weekend	30,816	30,816		30,816	30,816
Total attendance	184,896	184,896		184,896	184,896
Major Event Weekends (Two weekends)					
In region	40%	25%		40%	25%
In-state but out of region	15%	15%		15%	15%
Out-of-state	45%	60%		45%	60%
Visitor percent	60%	75%		45%	60%
Regional Event Weekend					
In region	60%	50%		60%	50%
In-state but out of region	30%	30%		30%	30%
Out-of-state	10%	20%		10%	20%
Visitor percent	40%	50%		10%	20%
Total					
Out-of-state	43%	29%		43%	29%
In-state but out of region	18%	18%		18%	18%
Out-of-state	39%	53%		39%	53%
Visitor percent	57%	71%		39%	53%
Total Event-Related Spending	Low	High		Low	High
Visitor spending (off-site)	\$48,218,116	\$69,508,721		\$34,030,371	\$53,200,099
Visitor spending (on-site)	\$15,202,944	\$19,003,680		\$11,186,496	\$14,987,232
Resident spending (off-site)	\$0	\$0		\$14,187,745	\$16,308,622
Resident spending (on-site)	\$10,494,816	\$6,694,080		\$14,511,264	\$10,710,528
Other event visitor spending (schools, etc)	\$0	\$0		\$0	\$0
Team/media (off-site)	\$6,043,673	\$6,043,673		\$6,043,673	\$6,043,673
Other on-site spending	\$2,674,000	\$2,674,000		\$2,674,000	\$2,674,000
Total event-related spending	\$82,633,548	\$103,924,154		\$82,633,548	\$103,924,154

Attendance Profile Estimates

Estimates of attendance profiles are based on several sources, including:

- Visitor surveys conducted in other markets currently served by International Speedway Corp. (ISC).
- Surveys and estimates performed for other studies of motor-sportsrelated facilities.
- Assessments of primary, secondary, and tertiary market areas for major motor sports events.
- Detailed analysis by Berk and Associates of the characteristics of market areas for comparable markets.
- Analysis of the distribution of population within a Puget Sound area motor speedway primary, secondary, and tertiary market areas.
- Analysis of the geographic distribution of ticket purchasers for comparable speedways.

The following key findings come from analysis of the market data. Motor speedways tend to:

- Draw on a primary market area that extends roughly 200 miles from the speedway,
- Draw at a diminished level on a secondary market of population centered between 200 and 400 miles away, and
- Draw in a small but meaningful way on population distributed across a much wider portion of the remaining United States.

Note that a very small penetration for the 1,000+ mile area can translate into a significant number of visitors.

The market that would support a motor speedway in the Puget Sound region differs in significant ways from the markets that support many comparable speedways. As Exhibits 3 through 6, show, the combined

primary and secondary markets for a Puget Sound location (everything within 400 miles) include substantially fewer residents than do equivalent markets for California, PIR, and Kansas City. Roughly 14 million people live within 400 miles of Seattle, compared to 27 million people within 400 miles of Phoenix, 28 million within 400 miles of Kansas City, and 38 million within 400 miles of California (Exhibits 3 through 6, respectively). The Portland and Vancouver metropolitan area represent two major population centers that fall within the Puget Sound's primary market area (within 200 miles) but outside state boundaries.

A key distinguishing feature of the Puget Sound market area is the concentration of population nearer to the central city (Seattle). The large majority (75%) of that population (10.5 million people) lives within the primary market area of 200 miles. The Phoenix and Kansas City markets, by contrast, include only 5 million (19%) and 8 million (28%) people within 200 miles, respectively.

Among all the speedway locations, Kansas City has the most favorable location characteristics from a state economic impacts perspective due to its location near the Kansas border. Located in Kansas City, Kansas, the Kansas Speedway draws primarily from markets in neighboring states.

The market penetration analysis implies that, as a baseline estimate, 54% of the fans who would be attracted to major events in the Puget Sound area would come from out of state, 30% would come from within the Puget Sound region, and 16% would come from the remainder of Washington State.

This analysis estimates a range from 45% to 60% of race fans coming from out of state for major events, and a range from 25% to 40% of fans coming from within the region. Both the low and high scenarios assume that 15% of the fans will come from remaining portions of Washington State.

The analysis assumes that the regional event will have less attendance and draw more heavily from regional and other Washington State markets. The analysis estimates that 10% to 20% of regional event fans will come from out of state, 30% will come from other portions of Washington State, and 50% to 60% will come from within the region.

Event-Related Spending

The direct economic effects of a motor speedway will redound primarily from local and visitor spending surrounding the two major event weekends, as well as the smaller regional event to a lesser extent.

Estimates of event-related spending come from six categories:

- 1. Visitor spending away from the speedway (off-site)
- 2. Visitor spending at the speedway (on-site);
- 3. Resident spending off-site (for non-regional residents of Washington State who travel to the region to attend the events);
- 4. Resident spending on-site;
- 5. Team, media and sanctioning body officials spending off-site; and
- 6. Other on-site spending.

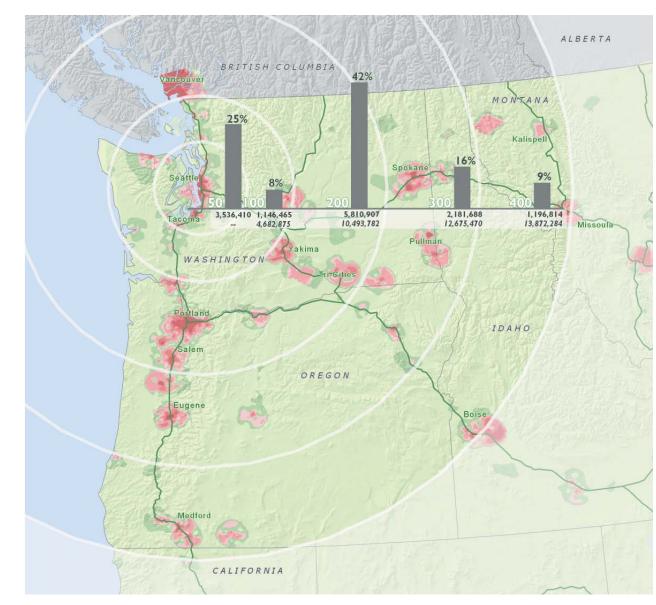
Visitor Spending Off-Site

Off-site visitor spending represents estimated expenditures for lodging, dining, retail purchases, entertainment, and other miscellaneous expenses. Estimates of expenditures for each category are based on a survey of Phoenix International Raceway visitors, as presented in the 2001 Phoenix International Raceway Inc. Economic Impact Analysis (The Center for Business Research; L. William Seidman Research Institute at Arizona State University). Estimated expenditures exclude travel-related expenditures reported in the survey. Estimates were also informed by data presented in the Travel Industry Association publication *Profile of Sports Events Travelers*.

Total visitor spending for major event weekends for the high scenario is assumed to be \$709 per weekend visit (see Exhibit 2), adjusted from 2001 to 2004 dollars based on a national Consumer Price Index factor of 1.0627 (April 2001 to April 2004). These expenditures reflect an average stay of three nights for major event weekends.

Of the \$709 total, \$115 of entertainment expenditures represent the admission price for the speedway event weekend and \$45 of retail expenditures is assumed for concession and souvenir purchases at the track. The remaining \$549 in expenditures is assumed to be spent offsite, spent in the categories and ratios outlined in Exhibit 7 (including the adjustments in entertainment and retail, to account for spending at the track). Admission expenditures are based on ticket prices at a range of comparable speedways. Concession and souvenir expenditures are based on two sources: (1) typical expenditure patterns at similar entertainment venues and (2) International Speedway Corporation's ratio of concession and souvenir revenues to admission revenues, as reported in the corporation's 10K public disclosure documents.

Exhibit 2: Proposed Washington Track



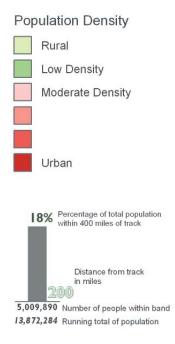


Exhibit 3: Phoenix International Raceway

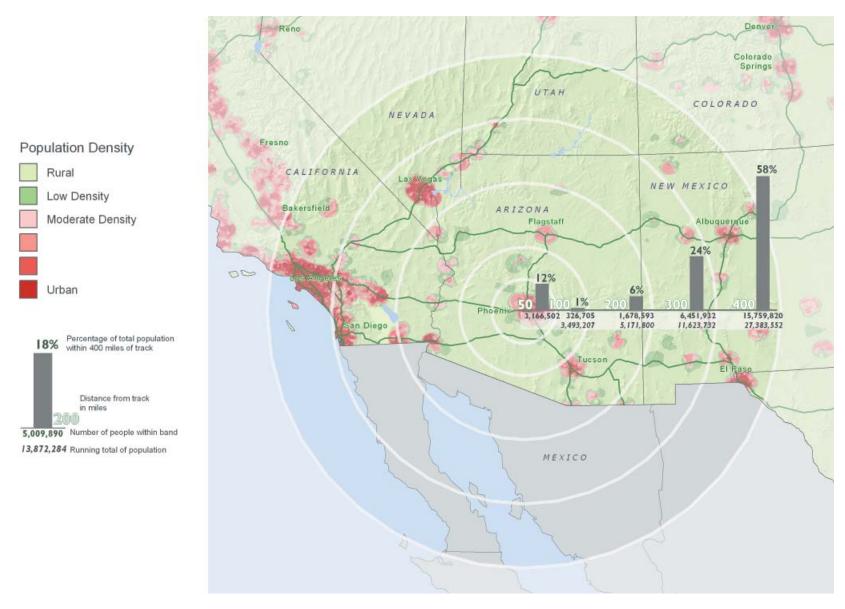
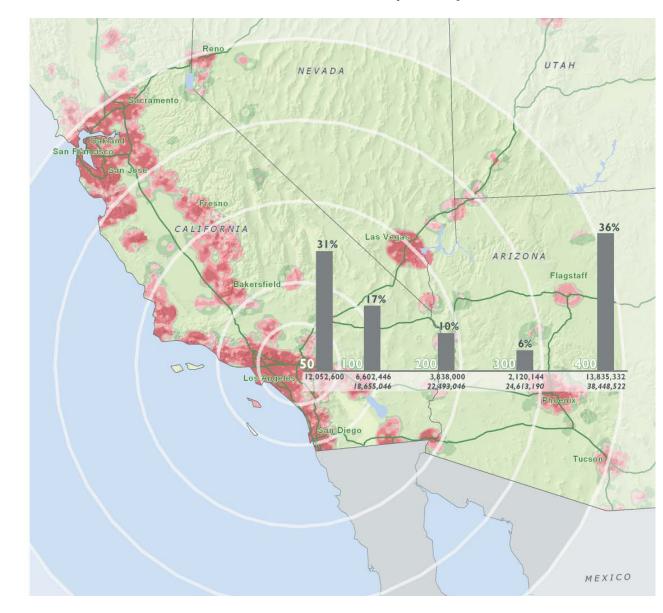


Exhibit 4: California Speedway



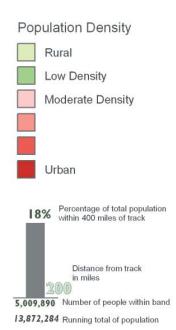


Exhibit 5: Kansas Motor Speedway



For major event weekends in the low scenario, net spending for tickets and concessions remain the same (\$115 for tickets and \$45 for concessions and souvenirs) but average spending per visitor off-site is assumed to be \$475. This lower off-site spending assumption for the low scenario accounts for the potential for a higher proportion of day-trippers coming from outside the region.

For the regional event, the analysis assumes average ticket expenditures per visitor of \$25 and average concession and souvenir expenditures of \$10. Total spending per visit for the regional event is estimated at 60% of the spending for the major event weekends, based on an expectation that the average visitor will stay two nights (versus three for the major event weekends) and will spend somewhat less at the speedway. Given the 60% ratio, total spending per visit for the high scenario is assumed to be \$426 for the regional event and spending for the low scenario is estimated at \$381. Off-site spending for the regional event is estimated at \$391 for the high scenario and \$346 for the low scenario accounting for the cost of tickets and purchase of concessions on-site.

Visitor Spending On-Site

As noted above, ticket purchases for major event weekends are estimated at \$115 per visitor (based on current ticket prices advertised at comparable motor speedways) and concession and souvenir spending is estimated at 40% of ticket prices, or \$45 per event weekend. For the regional event, estimated expenditures on-site are limited to the price of tickets (an average of \$25 per visitor) and expenditures on concessions (averaging \$10 per visitor).

Resident Spending Off-Site

Spending by visitors from areas of the state that lie outside the region is assumed to parallel average expenditure patterns of out-of-state visitors.

Exhibit 6: Total Visitor Expenditures for Major Event Weekends (per visit) (2004 Dollars)

	Estimated Expenditures
Lodging	\$181
Eating and drinking	\$203
Groceries	\$25
Entertainment/recreation	\$154
Shopping	\$119
Other	\$28
Total	\$709

Source: Behavior Research Center survey of PIR visitors as presented in *Phoenix International Raceway Inc. Economic Impact Analysis* (October 2001), adjusted to 2004 dollars.

Assumptions are common for both the two major event weekends and the regional event weekend and for the high and low scenarios.

Resident Spending On-Site

The analysis assumes that resident spending at the track will reflect the overall pattern of on-site expenditures, including similar average expenditures for tickets, concessions and souvenirs, and "other" expenditures (see discussion of "Other On-Site Expenditures" below). As a result, estimated on-site spending by residents represents the pro-rata share of total on-site spending, based on the portions of total fans who are residents (state or local).

Team, Media, Sanctioning Body Official Spending Off-Site

Off-site expenditures from racing teams, media, and race officials is based on an estimate of 3,000 persons per major event weekend. Average length of stay for these individuals is estimated to be five nights (versus an average of three nights for fans) and expenditures per day are assumed to

be similar to that of fans under the high scenario (roughly \$183 per day), for a total of roughly \$916 per person.

With smaller teams, smaller budgets, and fewer teams, team, media, and officials, spending for the regional event is assumed to be 20% of team, media, and official spending for the major events, all of which translates to roughly \$550,000 for the regional events.

Other On-Site Expenditures

In addition to base-level expenditures for tickets and concessions and souvenirs, the analysis estimates \$2.674 million in revenues collected at the speedway during the two major event weekends for luxury suites (\$1.224 million, which represents 68 suites at an average of 30 people per suite and an average cost of \$600 per person); hospitality chalets (\$1 million, representing 100 chalets at 100 persons per chalet and an average cost of \$100 per person); and permits for access to the infield and "fan walk" (\$450,000).

Estimates of Economic Effects

As summarized in Exhibit 1, total on-site and off-site spending for three event weekends is estimated to range between \$82.6 and \$103.9 million. Stemming from these total expenditures, total economic effects range from \$87 million to \$122 million when viewed from the regional perspective and from \$66 million to \$98 million when viewed from the state perspective (Exhibit 7).

Of the total event-related spending of \$83 to \$104 million, 54.2 to \$75.6 million take the form of off-site spending, while the remaining \$28.4 million is estimated to be spent at the race track during the three event weekends.

Exhibit 7: Breakdown of Estimated Spending with Multiplier Effects

Economic Impacts	Low	High	Low	High
Total event spending off-site	\$54,261,788	\$75,552,394	\$54,261,788	\$75,552,394
IMPLAN estimated margin (leaves region)	(\$7,721,392)	(\$10,605,942)	(\$7,721,392)	(\$10,605,942)
Direct economic impact of new money	\$46,540,396	\$64,946,452	\$46,540,396	\$64,946,452
Offsets for redistributed resident spending:				
Redistributed resident spending (off-site)	\$0	\$0	(\$11,350,196)	(\$13,046,898)
IMPLAN estimated margin (leaves region)	\$0	\$0	\$915,333	\$1,052,159
Net offset for redistributed resident spendin	\$0	\$0	(\$12,265,529)	(\$14,099,057)
Net direct economic impact (new money)	\$46,540,396	\$64,946,452	\$34,274,867	\$50,847,395
Percent of event-related spending that gets into e	85.8%	86.0%	73.6%	78.3%
Total event spending on-site	\$28,371,760	\$28,371,760	\$28,371,760	\$28,371,760
Track spending in region (labor & materials)	\$7,640,000	\$7,640,000	\$7,640,000	\$7,640,000
Concessionaire spending in region (labor & mat	\$2,576,917	\$2,576,917	\$2,576,917	\$2,576,917
Property taxes paid by the track	1,626,637	\$1,626,637	\$1,808,800	\$1,808,800
Other taxes paid by the track	574,246	\$735,602	\$701,731	\$909,199
Direct economic impact of new money	\$10,216,917	\$10,216,917	\$10,216,917	\$10,216,917
Offsets for redistributed resident spending:				
Redistributed resident spending (on-site)	(\$9,101,389)	(\$5,796,224)	(\$12,579,123)	(\$9,273,958)
IMPLAN estimated margin (leaves region)	\$3,579,880	\$2,279,847	\$4,947,788	\$3,647,758
Net offset for redistributed resident spendin	(\$5,521,509)	(\$3,516,377)	(\$7,631,335)	(\$5,626,200)
Net direct economic impact (new money)	\$4,695,408	\$6,700,540	\$2,585,582	\$4,590,717
Percent of event-related spending that gets into e	16.5%	23.6%	9.1%	16.2%
Direct impacts of operations (new money)	\$51,235,804	\$71,646,992	\$36,860,449	\$55,438,112
Indirect and induced impacts (respending of n		\$50,106,775	\$28,848,916	\$42,952,517
Total economic impacts	\$87,238,144	\$121,753,767	\$65,709,365	\$98,390,629
Overall multiplier ratio	1.70	1.70	1.78	1.77

Accounting for Retail Margins

Many of the identified expenditure items are retail items. To convert retail expenditures to economic impacts, it is necessary to account for the difference between dollars spent and dollars that truly represent additional demand for locally produced goods and services.

As noted in introductory discussions, input/output models use margins to distinguish between gross dollars spent and local economic effects. Margins are used in any instance when a retail-level purchase occurs away from the *point of production* of that good or service.

In this analysis, the notion of margins comes into play in two instances: (1) for translating gross expenditures at the motor speedway into new demand for local goods and services; and, (2) for retail off-site purchases made by visitors.

Translating Speedway Revenues to Demand for Locally Produced Goods and Services

This analysis looks at the introduction of a motor speedway as a source of economic impacts to the regional and state economy. This task identifies and estimates all of the direct and indirect ways in which the speedway would introduce new demand for local goods and services. These include (1) direct expenditures made by the speedway into the local economy; and, (2) the indirect effects of off-site spending from visitors.

Estimation of direct speedway expenditures (for local goods, services, and labor) represents an explicit modeling of the local and non-local components (or margins) associated with speedway operation.

Implicit in this estimation of the speedway's margin is the recognition that the speedway also has the potential to draw local dollars out of the region or state in addition to attracting visitor dollars to the region or state. The goal of this analysis is to identify the "net" economic effect of the two.

Retail Margins

As noted in the introductory discussion, typically, only a small portion of a dollar spent for a retail purchase in a store goes to local producers. In the example of the CD player, non-local manufacturers, shippers, wholesalers, and retail headquarters all contribute to the sale of the CD player and all of those producers enjoy a share of the economic value of the sale.

For retail sales of general merchandise, the IMPLAN model estimates that 59% of the average retail expenditure accrues to producers outside of Washington State and the Puget Sound Region. The remaining 41% accrues to local production factors. This analysis uses IMPLAN's 41% local margin factor to allocate retail purchases to the regional and state economy. $^{\rm 1}$

The application of retail margins occurs at two points in Exhibit 7: (1) in the translation of total visitor expenditures off-site to total new demand for local services from those expenditures; and, (2) in translating "lost" local dollars that go into track expenditures into "lost" local demand for local goods and services, a portion of which would otherwise be spent locally on things like dining and shopping.

In the first instance, the margin for the portion of off-site visitor expenditures that is allocated to retail purchases is calculated by multiplying the retail component of those off-site expenditures by the 59% non-local production factor. For the low scenario, for instance, this calculation reduces \$54 million in gross off-site visitor expenditures by \$7.7 million.

¹ At first glance, it would appear that expenditures for hotels, dining, and non-track-related entertainment would constitute retail purchases as well. In reality, however, hotels, restaurants, and entertainment venues really act more like manufacturers than like retail. For a hotel, for instance, the hotel really serves as the physical "point of production," with most of the costs of production occurring on site, using local production factors. The same is true for restaurants and entertainment venues.

CHECKERED FLAG TASK FORCE

In the second instance, the margin calculation is used to reduce the correction for lost local spending associated with local dollars going to the speedway. In that case, the analysis assumes that two-thirds of the dollars that are "lost" would have been spent on retail purchases, and therefore, the loss associated with that two-thirds is reduced by a factor of 59%.

Effects that Offset for Redistributed Resident Spending

In estimates of direct economic effects summarized in Exhibit 2, economic issues offset the total amount of spending. Two issues offset the value of direct spending: (1) redistributed local spending come into play in both off-site visitor spending; and, (2) on-site spending at the speedway.

In the case of off-site effects, redistributed resident spending applies only when viewing impacts from the state perspective. This adjustment is necessary because on a portion of the total visitor spending on things like hotels, dining, and retail purchases, will come from visitors from within Washington State, but outside the region. From the regional perspective, these other Washingtonians are non-resident visitors just like the out-of-state visitors. From a statewide perspective, however, one must assume that most of the dollars these Washingtonians spend in the Puget Sound Region would have been spent within the state anyway. Hence, most of these dollars cannot be counted as a source of "new" economic demand to the state's economy.

This analysis assumes 80% of the dollars that Washington residents spend at the speedway would have been spent in Washington anyway. The remaining 20% would have been spent out-of-state, either on trips to other destinations (perhaps auto racing events in other locations) or on out-of-state retail purchases via internet or catalog.

In the case of on-site effects, redistributed resident spending represents the portion of regional or state resident spending (depending on the perspective) that, had it not been spent at the speedway, would have made

its way into the regional economy in other ways. Again, the assumption is that 80% of the dollars residents spend at the track would have been spent in the regional or state economy anyway.

Net Direct Effects and Multiplier Effects

After taking into account the effect of (1) retail margins and (2) redistributed resident spending, the total expenditures of \$82.6 million to \$103.9 million (Exhibit 1) translate into total direct economic impacts of \$51.2 million to \$71.6 million from the Regional Perspective and \$36.9 million to \$55.4 million from the State Perspective (Exhibit 9).

The multiplier effects of these direct impacts were modeled using the IMPLAN input/output model by allocating total direct effects to dozens of specific industries and entities. Multiplier effects refer to the indirect effect of new demand (purchases made by the source industry from suppliers and service providers) and induced effects (demand for locally produced goods and services that stems from re-spending of income earned at each stage in the process). Not surprisingly, some of the largest direct effects accrued to the hotel industry, the restaurant industry, and to retail.

Summary of Direct, Indirect and Induced Impacts of Ongoing Operations

Exhibit 9 presents a summary of the direct, indirect and induced effects on economic output, employment and income. As reported previously, total economic effects range from \$87 to \$122 million when viewed from the regional perspective, and from \$66 to \$98 million when viewed from the perspective of the state as a whole. The reason for the difference in the two perspectives is that some of the people who are considered non-local visitors from the regional perspective (fans from Yakima, for example), and who bring to the region "new" dollars, become local when viewed from the perspective of the state.

Exhibit 8: Estimated Direct, Indirect, and Induced Economic Effects For Major Speedway Events

	Regional F	Perspective	State Per	rspective		
	Lower Impact	Higher Impact	Lower Impact	Higher Impact		
	Scenario	Scenario	Scenario	Scenario		
Output						
Direct	\$51.3 Million	\$71.7 Million	\$36.9 Million	\$55.5 Million		
Indirect and induced	\$36.0 Million	\$50.1 Million	\$28.8 Million	\$43.0 Million		
Total Output	\$87.3 Million	\$121.8 Million	\$65.8 Million	\$98.4 Million		
Labor Earnings						
Direct	\$24.7 Million	\$31.1 Million	\$29.7 Million	\$37.1 Million		
Indirect and induced	\$14.6 Million	\$18.2 Million	\$16.4 Million	\$20.2 Million		
Total Labor Earnings	\$39.3 Million	\$49.3 Million	\$46.1 Million	\$57.3 Million		
Employment						
Direct	1,108	1,395	1,211	1,510		
Indirect and induced	434	544	433	539		
Total Employment	1,541	1,939	1,645	2,049		

Exhibits 9 through 11 provide additional detail about the direct and multiplier effects on (1) economic output, (2) employment, and (3) income that would accrue to the state or region on an annual basis.

Exhibit 9: Summary of Annual Economic Effects of Motor Speedway (in millions of dollars).

Summary of Economic Impacts (millions of dollars)	State Level	Regional Level
Visitor spending	\$59.5 - \$88.	3 \$77.8 - \$108.5
Direct	\$34.3 - \$50.	·
Indirect and induced	\$25.2 - \$37.	·
Deduction of local spending at track (to prevent double count)	(\$14.0) - (\$10	
Direct	(\$7.6) - (\$5.0	, , , , , , , , , , , , , , , , , , , ,
Indirect and induced	(\$6.4) - (\$4.1	, , , , , , , , , , , , , , , , , , , ,
Track employees earnings	\$5.0	
Direct	\$3.5	\$3.5
Indirect and induced	\$1.5	\$1.4
Track concessions local wages and supply purchases	\$4.5	\$4.4
Direct	\$2.6	\$2.6
Indirect and induced	\$1.9	\$1.8
Track-related expenditures	\$6.6	\$6.5
Direct	\$4.1	\$4.1
Indirect and induced	\$2.5	\$2.3
Track taxes	\$4.0 \$4.3	3 \$3.4 \$3.7
Direct	\$2.5 \$2.7	\$2.2 \$2.4
Indirect and induced	\$1.5 \$1.6	\$1.2 \$1.3
Total annual impacts	\$65.7 - \$98.	4 \$87.2 - \$121.8
Direct	\$39.4 - \$58.	1 \$53.4 - \$74.0
Indirect and induced	\$26.3 - \$40.	3 \$33.8 - \$47.7

Exhibit 10: Summary of Annual Employment Effects of Motor Speedway (in full time equivalent (FTE) positions).

Summary of Employment Impacts	Stat	te Le	evel	Regio	nal	Level
(full-time equivalents)						
Visitor spending	947	-	1,404	1,160		1,619
Direct	686	-	1,017	858		1,197
Indirect and induced	261	-	388	303		422
Deduction of local spending at track (to prevent double count)	-240	-	-177	-160		-102
Direct	-175	_	-129	-120		-76
Indirect and induced	-66	-	-48	-40		-26
Track employees earnings		173			166	;
Direct		120		118		
Indirect and induced		53		47		
Track-related expenditures		120		109		
Direct		83		77		
Indirect and induced		37		32		
Track taxes	61	-	64	50	-	55
Direct	44	-	46	39	-	42
Indirect and induced	17	-	18	11	-	12
Total annual impacts	1,061	-	1,585	1,325	-	1,846
Direct	759	-	1,138	972	-	1,358
Indirect and induced	303	_	447	353	-	488

Exhibit 11: Summary of Annual Income Effects of Motor Speedway (in millions of dollars).

Summary of Labor Income Impacts (Millions of dollars)	State Leve	Regional Level
Visitor spending	\$23.2 - \$34	.5 \$31.6 - \$44.1
Direct	\$14.7 - \$21	· · · · · · · · · · · · · · · · · · ·
Indirect and induced	\$8.5 - \$12	· · · · · · · · · · · · · · · · · · ·
Deduction of local spending at track (to prevent double count)	(\$5.3) - (\$3	.9) (\$3.9) - (\$2.5)
Direct	(\$3.1) - (\$2.	, , , , , ,
Indirect and induced	(\$2.2) - (\$1.	
Track employees earnings	\$5.3	\$5.3
Direct	\$3.2	\$3.2
Indirect and induced	\$2.2	\$2.2
Track-related expenditures	\$3.1	\$3.1
Direct	\$2.0	\$2.0
Indirect and induced	\$1.2	\$1.1
Track property taxes	\$2.3 \$2.	5 \$2.1 \$2.3
Direct	\$1.8 \$1.	9 \$1.7 \$1.8
Indirect and induced	\$0.5 \$0.	6 \$0.5 \$0.5
Total annual impacts	\$28.7 - \$41	.5 \$38.3 - \$52.4
Direct	\$18.5 - \$26	5.5 \$24.9 - \$34.0
Indirect and induced	\$10.3 - \$15	5.0 \$13.4 - \$18.3

Fiscal Impacts

In addition to overall impacts on the economy, location of a motor speedway in the Puget Sound region would generate fiscal impacts at the state level and at the level of local jurisdictions.

Any change in land use will influence (1) the stream of revenues that flow to government and (2) the demand for (and cost of) government services. Without a specified site for the proposed speedway, this analysis does not attempt to estimate the costs that would redound to state and local governments as a result of speedway construction and operation. The analysis does, however, estimate the range of annual revenues that various levels of governments could expect to accrue as a result of the economic impacts described above.

Again, without a specific site, the local revenue estimates are designed to be generally representative of local tax structures, but do not precisely reflect the tax structure that would apply at any given site.

Exhibit 13 summarizes the range of annual fiscal impacts by estimating tax revenues that would accrue to various jurisdictions if the speedway were up and running in 2004.

It is important to note that some components of revenues that are expected to accrue to local jurisdictions will accrue to dozens of different jurisdictions. For example, the analysis tracks the direct, indirect and induced retail expenditures generated by the new economic stimulus of the speedway, tracking retail sales that emerge during multiple iterations

Exhibit 12: Estimated Fiscal Benefits

	Annual		10-Year Value		20-Year Value				
		(in	2004\$)	Net P	re	sent Value	Net	Pre	sent Value
State of Washington									
Sales taxes	\$1.4	-	\$2.2 Million	\$12.8	-	\$20.5 Million	\$23.9	-	\$38.1 Million
B&O taxes	\$0.7	-	\$1.3 Million	\$6.3	-	\$12.3 Million	\$11.7	-	\$22.9 Million
Levy (State schools)	\$0.4	-	\$0.4 Million	\$3.8 -	-	\$3.8 Million	\$7.0	-	\$7.0 Million
State Revenues	\$2.5	-	\$4.0 Million	\$22.9	-	\$36.5 Million	\$42.7		\$68.0 Million
Local Jurisdictions									
City/County sales taxes	\$0.4	-	\$0.5 Million	\$3.4 -	-	\$4.9 Million	\$6.4	-	\$9.1 Million
Special district sales taxes	\$0.4	-	\$0.5 Million	\$3.4	-	\$4.9 Million	\$6.4	-	\$9.1 Million
City/County property taxes	\$0.4	-	\$0.4 Million	\$3.9 -	-	\$3.9 Million	\$7.2	-	\$7.2 Million
Special district property taxes	\$1.0	-	\$1.0 Million	\$9.0	-	\$9.0 Million	\$16.8	-	\$16.8 Million
Lodging taxes	\$0.5	-	\$1.0 Million	\$5.0 -	-	\$9.4 Million	\$9.3	-	\$17.6 Million
Admissions taxes	\$1.0	-	\$1.0 Million	\$9.5	-	\$9.5 Million	\$17.8	-	\$17.8 Million
All Local Revenues	\$3.7	-	\$4.5 Million	\$34.3	-	\$41.7 Million	\$63.8	-	\$77.6 Million
GRAND TOTAL	\$6.2		\$8.5 Million	\$57.2 -		\$78.2 Million	\$106.5		\$145.6 Million

of spending and re-spending of dollars. Given the eventual dispersion of retail sales across the region or state, local sales taxes generated by all of these different retail purchases will ultimately affect a very large number of cities and counties across the region or the state.

Lodging taxes, by contrast, will be more tightly focused on a few dozen cities that are home to most of the lodging facilities in the Puget Sound region. Admission tax revenues will likely accrue only to the jurisdiction in which the speedway is located.

The net present values presented in Exhibit 13 reflect the discounted value of ten and twenty years of annual "payment" of the revenues summarized under the first column (in inflation-adjusted dollars). This net present value is based on a real (inflation-adjusted) discount rate of 1.5% — a rate designed to reflect low-cost public capital.

Among other things, estimated revenues are based on assumptions about tax rates summarized in Exhibit 14. These rates do not reflect the specific

Exhibit 13: Estimated Tax Rates

State levy rate (per \$1,000 of taxable	
assessed value)	\$2.92
Local levy rate	\$10
Retail tax rate – local	2.0%
Retail tax rate – state	6.5%
Lodging tax rate – local	4.0%
Lodging tax rate - state*	-2.0%
Admission tax rate – local	5.0%
State B&O retail	0.471%
State B&O services	1.5%
State B&O other	0.484%

^{*} State lodging tax rate reflects a reduction in state retail sales taxes for lodging of 2%. The analysis assumes that the city lodging tax policy takes advantage of statutory authority to usurp 2% of the states sales tax on lodging.

tax structure of any particular location, but are meant to be generally representative of state and local taxes. Local tax structures and rates will vary. In particular, lodging tax rates can vary widely among different cities, due to (1) the applicability of stadium and convention taxes in some cities and (2) the varying degree to which recent changes in Washington statute apply to different cities.

Exhibits 15 through 18 provide additional detail about estimated range of state and local revenues under the state and regional perspective. In the regional perspective summarized in Exhibits 17 and 18, revenue estimates are presented only for local governments (it is not possible to think about state revenues in from a regional modeling perspective).

As noted previously, estimates of taxable retail expenditures reflect the aggregation of all taxable retail expenditures associated with net direct, indirect, and induced economic activity surrounding major speedway events. For example, when the speedway purchases concession supplies from wholesalers, the employees of those wholesale firms receive wages associated with that activity. When those employees go out and spend some of that income on retail purchases, those purchases represent newly introduced retail sales in the region and the tax on those purchases is counted as new state and local revenue.

State Business & Occupation (B&O) taxes are treated similarly. The model tracks all retail, service, and "other" taxable gross revenues to identify an aggregate level of taxable business income and applies the appropriate state B&O tax rate to each category of expenditures.

Estimated property taxes are based on an assumed speedway value of \$140 million.

Exhibit 14: Estimated State and Local Annual Revenue Impacts (State Perspective—High Scenario)

Ongoing (Annual Taxes in 2004 \$)	State	Local	
Property tax	\$408,800	\$1,400,000	
Property value	\$140,000,000	\$140,000,000	
Levy Rate	2.92	\$10	
Retail sales tax	\$2,619,800	\$806,092	
Net new retail exps (direct, indirect, and induced)	\$40,304,608	\$40,304,608	
Retail rate	6.5%	2.0%	
Lodging taxes	-\$401,858	\$803,717	
Lodging exps	\$20,092,922	\$20,092,922	
Lodgine rate	-2.0%	4.0%	
Admission taxes		\$1,034,720	
Admission exps		\$20,694,400	
Admission tax rate		5.0%	
B&O	\$1,336,451.2		
Services	\$1,074,627.7		
Admissions revenues	\$20,694,400		
Other services (direct, indirect, and induced)	\$50,947,446		
Services B&O tax rate	1.5%		
Retail	\$189,835		
Net new retail expenditures (direct, indirect, and induced)	\$40,304,608		
Retail B&O tax rate	0.471%		
Non-services and non-retail (direct, indirect, and induced)	\$71,989		
Net new exps	\$14,873,731		
Non-retail and non-services B&O tax rate	0.484%		
Total Ongoing	\$3,963,192	\$4,044,529	

Exhibit 15: Estimated State and Local Annual Revenue Impacts (State Perspective—Low Scenario)

(Otate i dispective Low o	ociiai io,	
Ongoing (Annual Taxes in 2004 \$)	State	Local
Property tax	\$408,800	\$1,400,000
Property value	\$140,000,000	\$140,000,000
Levy Rate	2.92	\$10
Retail sales tax	\$1,664,743	\$512,229
Net new retail exps (direct, indirect, and induced)	\$25,611,431	\$25,611,431
Retail rate	6.5%	2.0%
Lodging taxes	-\$271,772	\$543,544
Lodging exps	\$13,588,599	\$13,588,599
Lodgine rate	-2.0%	4.0%
Admission taxes		\$1,034,720
Admission exps		\$20,694,400
Admission tax rate		5.0%
B&O	\$682,975.9	
Services	\$514,595.4	
Admissions revenues	\$20,694,400	
Other services (direct, indirect, and induced)	\$13,611,961	
Services B&O tax rate	1.5%	
Retail	\$120,630	
Net new retail expenditures (direct, indirect, and induced)	\$25,611,431	
Retail B&O tax rate	0.471%	
Non-services and non-retail (direct, indirect, and induced)	\$47,751	
Net new exps	\$9,865,843	
Non-retail and non-services B&O tax rate	0.484%	
Total Ongoing	\$2,484,747	\$3,490,493
		, , , , , , , , , , , , , , , , , , , ,

Exhibit 16: Estimated Local Annual Revenue Impacts (Regional Perspective—High Scenario)

Ongoing (Annual Taxes in 2004 \$)	Local		
Property tax Property value Levy Rate	\$1,400,000 \$140,000,000 \$10		
Retail sales tax Net new retail exps (direct, indirect, and induced) Retail rate	\$1,059,144 \$52,957,218 2.0%		
Lodging taxes Lodging exps Lodgine rate	\$1,023,605 \$25,590,134 4.0%		
Admission taxes Admission exps Admission tax rate	\$1,034,720 \$20,694,400 5.0%		
B&O			
Services Admissions revenues Other services (direct, indirect, and induced) Services B&O tax rate			
Retail Net new retail expenditures (direct, indirect, and induced) Retail B&O tax rate			
Non-services and non-retail (direct, indirect, and induced) Net new exps Non-retail and non-services B&O tax rate			

Total Ongoing

\$4,517,470

Exhibit 17: Estimated Local Annual Revenue Impacts (Regional Perspective—Low Scenario)

Ongoing (Annual Taxes in 2004 \$)	Local
Property tax	\$1,400,000
Property value	\$140,000,000
Levy Rate	\$10
Retail sales tax	\$740,234
Net new retail exps (direct, indirect, and induced)	\$37,011,682
Retail rate	2.0%
Lodging taxes	\$543,544
Lodging exps	\$13,588,599
Lodgine rate	4.0%
Admission taxes	\$1,034,720
Admission exps	\$20,694,400
Admission tax rate	5.0%
B&O	
Services	
Admissions revenues	
Other services (direct, indirect, and induced)	
Services B&O tax rate	
Retail	
Net new retail expenditures (direct, indirect, and induced)	
Retail B&O tax rate	
Non-services and non-retail (direct, indirect, and induced)	
Net new exps	
Non-retail and non-services B&O tax rate	

Total Ongoing

\$3,718,498

Estimates of Economic and Fiscal Impacts of Speedway Construction

Exhibits 18 and 19 summarize the estimated one-time economic and fiscal impacts associated with speedway construction.

These estimates are based on an assumed preliminary construction cost estimates of \$140 million and an assumption that the full cost of speedway construction will be funded by dollars that would not otherwise be spent within the Puget Sound region (for the regional perspective) or within Washington State (for the state perspective).

If speedway construction costs are to be funded in part by dollars that would have been spent locally in the absence of speedway investments, then the net economic and fiscal benefits of construction will be diminished. The extent to which this diminishment occurs depends on (1) the relative share of track construction costs that would be funded by local dollars and (2) the alternative uses to which those local dollars would have been put in the absence of the speedway investment.

Estimates of sales tax revenues generated by construction assume that 85% of total construction costs are subject to state and local sales

Exhibit 18: Estimated One-Time Economic Impacts of Speedway Construction

	State Level	Regional Level
Output	\$268 Million	\$256 Million
Direct	\$140 Million	\$140 Million
Indirect and induced	\$128 Million	\$116 Million
Employment (FTEs)	3,000	2,721
Direct	1,603	1,513
Indirect and induced	1,396	1,207
Income	\$121 Million	\$122 Million
Direct	\$73 Million	\$76 Million
Indirect and induced	\$48 Million	\$46 Million

and use taxes (which translates to \$119 million in taxable construction expenditures).

Estimates of retail sales taxes and state B&O taxes on direct, indirect and induced economic effects mirrors the analytical approach used to estimate annual event-related impacts. Specifically, revenue estimates stem from tracking and categorizing direct, indirect and induced economic effects of construction spending to retail, services, and "other" business activities.

Exhibit 19: Estimated One-Time Fiscal Impacts of Speedway Construction

Construction Phase		
	State	Local
Sales tax on construction	\$7,735,000	\$2,380,000
Rate	6.5%	2.0%
Taxable Construction cost	119,000,000	119,000,000
B&O on construction	\$575,960	
Rate	0.484%	
Sales tax on multiplier effects	\$1,326,000	\$408,000
Retail multiplier effects	20,400,000	20,400,000
Rate	6.500%	2.000%
B&O on multiplier effects	\$1,271,160	
Retail multiplier effects	20,400,000	
Retail rate	0.00471	
Services multiplier effects	67,400,000	
Services rate	0.01500	
Other multiplier effects	33,900,000	
Other rate	0.00484	
Total	\$10,908,120	\$2,788,000